Supreme Court, U.S.
FILED
OCT 17 1988
JOSEPH F. SPANIOL, JR.
CLERK

No. 88-293

IN THE
# Supreme Court of the United States
OCTOBER TERM, 1988

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COMMUNITY FOR CREATIVE NON-VIOLENCE,
*Petitioner,*

v.

JAMES EARL REID,
*Respondent.*

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**On Petition for Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit**

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## RESPONDENT'S BRIEF IN OPPOSITION

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October 17, 1988

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## QUESTION PRESENTED FOR REVIEW

Are the terms "employer" and "employee" as found in the work-for-hire section of the United States Copyright Act of 1976, 17 U.S.C. § 101(1), to be interpreted in their traditional agency sense or to be applied in a manner unique to the Copyright Law where the exercising of limited control and providing a degree of direction transforms independent contractors into employees and their creations into works-for-hire?

## RULE 28.1 LIST OF PARTIES

See Petition at ii.

## TABLE OF CONTENTS


| | Page |
|---|---|
| QUESTION PRESENTED FOR REVIEW | i |
| RULE 28.1 LIST OF PARTIES | ii |
| TABLE OF AUTHORITIES | iv |
| STATEMENT OF THE CASE | 1 |
| SUMMARY OF ARGUMENT | 1 |
| ARGUMENT | 2 |
| I. Introduction | 2 |
| II. Congress Should Determine The Correct Interpretation | 3 |
| III. The Issue Should Remain In The Lower Courts For Further Amplification | 6 |
| IV. The U.S. Court Of Appeals For The District Of Columbia Was Correct | 8 |
| CONCLUSION | 9 |

TABLE OF AUTHORITIES


CASES — Page

*Aldon Accessories, Ltd. v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir.), *cert. denied*, 469 S. Ct. 387 (1984) ..... 2, 3, 6, 7

*Blount v. Rizzi*, 400 U.S. 410, S. Ct. 423 (1971) ..... 5

*Community for Creative Non-Violence v. Reid*, 846 F.2d 1485 (D.C. Cir. 1988), *petition for Cert. filed* ..... 2, 4, 6

*Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises, Inc.*, 815 F.2d 323 (5th Cir. 1987), *cert. denied*, 108 S. Ct. 1280 (1988) ..... 2, 4, 6, 7

*Evans Newton Inc. v. Chicago System Software*, 793 F.2d 889 (7th Cir.), *cert. denied*, 107 S. Ct. 434 (1986) ..... 2, 6, 7

*Peregrine v. Lauren Corp.*, 601 F. Supp. 828 (D. Colo. 1985), S.C. 17-1 *et seq.* ..... 3

*Timken Roller Bearing Co. v. United States*, 341 U.S. 593, 71 S. Ct. 971 (1951) ..... 5

*United States v. Butler*, 297 U.S. 1, 80 L. Ed. 477, 56 S. Ct. 312 (1936) ..... 9

*Watt v. Alaska*, 451 U.S. 259, 101 S. Ct. 1673 (1981) ..... 5

STATUTES

United States Copyright Act of 1976, 17 U.S.C. § 101 ..... 2, 3, 4, 8

TREATISE

*Moore's Federal Practice*, SC17-1 *et seq.*, Par. 817.01 *et seq.* ..... 7

RULES

Rules of the Supreme Court of the United States, Rule 17 ..... 7

MISCELLANEOUS

Congress, See, 134 Cong. Rec. S14562-3 (daily ed. October 5, 1988) (statement of Sen. Cochran, Sen. Leahy and Sen. DeConcini) ..... 5, App. 5a-20a

S. 1223 100th Cong., 1st Sess. (1987) ..... 4, App. 1a-4a


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## RESPONDENT'S BRIEF IN OPPOSITION

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Respondent, James Earl Reid respectfully submits this Brief in Opposition to the Petition for Writ of Certiorari filed herein by Community For Creative Non-Violence.

## STATEMENT OF THE CASE

Respondent believes that while Petitioner's Statement of Facts is not inaccurate, it colors the facts in a manner as to make it unacceptable to Respondent. Respondent believes that the Statement of Facts as set forth in the opinion of the U.S. Court of Appeals for The District of Columbia in its decision in this matter is accurate and adopts it as its own.

## SUMMARY OF ARGUMENT

The Court should exercise judicial restraint in order to allow either Congress to clarify the statutory am-

biguity in the use of the terms of employer and employee as defined in the work-for-hire section of the United States Copyright Act of 1976. 17 U.S.C. 101(1) or to allow the Federal Circuit Courts to continue to address the issue to permit the formation of a consensus on which of the two prevailing standards should be accepted.

## ARGUMENT

### I. Introduction

Respondent does not take issue with Petitioner or the Amicus Curiae, The Coalition for Copyright Justice, insofar as they allege that there is a conflict between the Circuits. The Fifth Circuit in its decision in *Easter Seal Society for Crippled Children and Adults of Louisiana, Inc. v. Playboy Enterprises, Inc.*, 815 F.2d 323 (5th Cir. 1987) *cert. denied*, 108 S. Ct. 1280 (1988) ("Easter Seal") and the District of Columbia Circuit in this action, *Community for Creative Non-Violence v. Reid*, 846 F.2d 1485 (D.C. Cir. 1988), *petition for Cert. filed*, No. 88-293 (Aug. 17, 1988) ("CCNV") are apparently in conflict with the Second Circuit holdings in *Aldon Accessorie, Ltd v. Spiegel, Inc.*, 738 F.2d 548 (2d Cir.) *cert. denied*, 469 S.Ct. 387 (1984) ("Aldon") and the Seventh Circuit's decision in *Evans Newton Inc. v. Chicago Sys. Software*, 793 F.2d 889 (7th Cir.), *cert. denied*, 107 S. Ct. 434 (1986) ("Evans Newton").

Moreover, Respondent does not dispute contention that the underlying issue is a Federal question as it deals with the interpretation of the United States Copyright Act of 1976, 17 U.S.C.A. 101(1).

Finally, Respondent agrees with the proposition that the determination of the question, "under what circumstances will an independent contractor be found to be an employee for copyright/work-for-hire purposes" is an important one which affects a multitude of concerned parties.

Notwithstanding these areas of agreement, Respondent respectfully disagrees with the conclusion that Petitioner



and the Amicus Curiae draw from these facts, that the Court should grant of Writ of certiorari. Respondent believes that the Court should exercise judicial restraint and requests the Court to find that this matter is not yet appropriate to be before the Court for the reasons that the conflict is not as complete as it appears at first blush and, further, the statutory ambiguities would be better resolved by Congress.

### II. Congress Should Determine The Correct Interpretation.

The pivotal issue which was addressed by the court below is the proper definition of an employee as it applies to "works-made-for-hire" which is set out in Section 101(1) of the Copyright Act of 1976.[1] A clear divergence of opinion as to the definition of employer/employee has developed. There are presently two[2] different views being used by the courts:

a) The Aldon/Evans Newton standard of "sufficiently supervised and directed" was developed first in the Second Circuit case of *Aldon Accessories Ltd. v. Spiegel, Inc., supra.* The Second Circuit concluded that the 1976 Act intended to make a modest alteration to the interpretation of "work-for-hire" doctrine by correcting the situation where the artist did all the creative work and the commissioning party did little or nothing. Under the *Aldon* interpretation, authorship is decided by examining the amount and sufficiency of the control as well as the degree of supervision of the work by the commissioning party. If the requisite control and supervision are found, then the commissioning party is deemed the author

[1] 17 U.S.C.A. § 101, A "work made for hire" is

(1) a work prepared 'by an employee within the scope of his or her employment; or . . .'

[2] A third test known as the "conservative test" was enunciated in *Peregrine v. Lauren Corp.*, 601 F. Supp. 828 (D. Colo. 1985). This approach has attracted no support and has not been followed by any other court.

and sole owner of the copyright. Section 101(2) of the Copyright Act enumerates nine specific independent contractor "works-for-hire" categories and applies to situations where the requisite control and supervision is lacking. In those situations the independent contractor is the sole author and copyright owner *unless* the parties sign a written instrument;

b) The literal approach uses traditional agency law to make the initial determination of whether the seller is an employee or an independent contractor. This approach is followed in *Easter Seal*, *supra*, and *CCNV*, *supra*, which found this approach to be most consistent with the language, history and policies of the 1976 Act. If the seller is found to be an employee, then 17 U.S.C.A. § 101(1) applies. 17 U.S.C.A. § 101(2) applies to independent contractors and their works which are generally not a "work-for-hire" *unless* (1) the work comes within one of the nine narrow statutory exceptions and (2) the parties agree in a signed instrument.

In light of this clear divergence, the issues become whether the dispute is best resolved at this time in this Court by granting the Writ of Certiorari or whether the Court should allow time for Congress to make legislative changes to the Act. Respondent believes that the Court should deny certiorari in favor of Congressional resolution.

Currently, before the Congress is a bill introduced by Senator Chad Cochran (D-Miss.) which will directly address the issues set forth in this case.[3] It sets out the

[3] "S.1223 To amend the copyright law regarding work made for hire . . . (1) by amending the definition, 'work made for hire'—

(A) in clause (1) by inserting before the semicolon the following: 'if the employee receives all employment benefits due under applicable State and Federal law the employer withnolds taxes from such payments to the employee and remits such taxes to the Internal Revenue Service';".

The full Bill is reproduced in the Appendix ("App.") hereto at App. 1a-4a.



definition of "employment," "scope of employment," and "work specially ordered or commissioned". The statutory ambiguities which have resulted in a division of judicial opinion are cleared up by adopting the traditional common law defintion of employer and employee (the "literal interpretation"). Its adoption would resolve the conflicts between the jurisdictions.

This matter is not a question of constitutional law which, of course, would be appropriately resolved by the Supreme Court, but rather is a conflict over the meaning of an ambiguous statutory provision. It is more efficient and appropriate to have Congress make the necessary choice between the alternative interpretations of legislative intent. The Court has spoken on several occasions as to the desirability of letting Congress act in similar matters.[4] Sen. Cochran plans to reintroduce this legislation in the next Congress and has received assurances from the Chairman of the Sub-Committee on Patents, Copyrights, and Trademarks that hearings will be held on the bill in the upcoming Congress.[5] With the legislative process activated and squarely addressing the issue

[4] "If a change is to be made in a statute, Congress, and not the Court, is the one to do it." *Timken Roller Bearing Co. v. United States*, 341 U.S. 593, 71 S. Ct. 971 (1951). "It is for Congress, not the United States Supreme Court, to rewrite a federal statute." *Blount v. Rizzi*, 400 U.S. 410, 91 S. Ct. 423 (1971). "If Congress is displeased with the decisions of this Court and the Court of Appeals, it may promptly reverse them by revising the relevant statutes. If that is its view, it no doubt would have acted more promptly if we had simply denied certiorari. Note 3. In fact, Congress declined to clarify its intention . . . in part because of concerns by some of its Members that such legislative action would be inappropriate while these cases were still pending in the federal courts." *Watt v. Alaska*, 451 U.S. 259, 101 S. Ct. 1673 (1981).

[5] See, 134 Cong. Rec. S14562-3 (App. 19a-20a) (daily ed. October 5, 1988) (statement of Sen. Cochran, Sen. Leahy and Sen. DeConcini) The comments and accompanying discussions are reproduced in the Appendix hereto at App. 5a-20a.

before the Court, Congress should be allowed to complete its task without preemption.

### III. The Issue Should Remain In The Lower Courts for Further Amplification.

Even if Congress is not in a posture to resolve the conflict, the Supreme Court should deny Petitioner's Writ for Certiorari in order to allow the Federal Circuits time to address the statutory meaning of the words "employer" and "employee" as found in the Copyright Act. The additional time provided to the Federal courts may well allow a consensus to be formed around one of the two leading interpretations and eliminate the conflict. Resolution below would alleviate the need for this Court to rule on the matter.

The appellate opinions are quite distinct as they fashion two mutually exclusive rules. The two early appellant cases *Aldon*, *supra*, and *Evans Newton*, *supra*, cases adopted an approach which has unpredictability built in as an intimal ingredient. The decisions were premised on a rule which requires the examination of the input of the commissioning party at the conclusion of the work's creation thus leaving the identity of each and every commission's copyright owner unknown until the completion of the project. At that point the determination is a subjective one based on each party's view of the value and extent of its own contribution. The inevitable differences of opinion as to the worth of each party's contribution will invite litigation in hundreds of cases which will be thrust into the federal judicial system. There judges and juries will repeatedly have the difficult task of making factual determinations after reviewing and evaluating the most subjective of all areas, the creative process.

The more recent cases, *Easter Seal*, *supra*, and the case before the Court, *CCNV*, *supra*, have adopted the "literal interpretation test" [6] a standard which unlike

[6] *Easter Seal*, supra, at 329 and *CCNV*, supra, at 1494.



the Aldon test is workable in any situation. Perhaps the basis for the different approaches lies in the different origins of the underlying disputes. Unlike the situation in the *Aldon* and *Evans Newton* cases, in the literal interpretation test cases there were no copyright infringers forcing the courts to fashion case specific standards. In the *Easter Seal* case, there was a lending of stock film footage between friends done in good faith with no intent to harm or defraud nor was there any pecuniary gain ever claimed by the alleged infringing party.[7] In the case at hand, the matter of ownership in copyright is before the Court on declaratory judgment with no infringement alleged.[8]

With the literal interpretation standard, certainty is once again injected into the process of commissioning creative works. The determination of copyright ownership is simple. If one is a traditional employee, the employer is the author, otherwise it is the creator. If the parties wish to provide for a different arrangement they are free to contract accordingly.

The fact that there is an apparent conflict between appellate circuits on a federal question does not automatically give rise to the granting of a writ of certiorari. Rule 17 of the Rules of the Supreme Court [9] which outlines the criteria for granting certiorari quite clearly states that these are guidelines and that they are discretionary.[10]

[7] *Eastern Seal*, supra, at 324.

[8] *CCNV*, supra, at 1488.

[9] See Supreme Court Rule 17, "Considerations Governing Review on Certiorari" which in pertinent part states, "1. A review on writ of certiorari is not a matter of right but of judicial discretion, and will be granted only when there are special and important reasons therefor. The following *while neither controlling nor fully measuring the Court's discretion indicate the character of reasons that will be considered . . .*" (emphasis added).

[10] *Moore's Federal Practice*, at SC 17-1 et seq., Par. 817.01 et seq. (1985).

The circuits now have clear options in how to analyze and rule on "work-for-hire" cases. Respondent believes that a clear pattern will emerge once the circuits which have not yet ruled on this question do so now that there are well reasoned judicially sound and viable alternatives to the Aldon/Evans Newton rule. Accordingly, we urge the Court to restrain from granting Petitioner its Writ at this time.

### IV. The U.S. Court Of Appeals For The District Of Columbia Was Correct.

The Petitioner argues the merits of this case at length in its petition. Respondent does not believe his Opposition to the Petition for a Writ of Certiorari is the appropriate pleading in which to assert his various arguments and positions on the merits. He believes that the U.S. Court of Appeals for the District of Columbia was correct in its decision as to the interpretation of 17 U.S.C. § 101(1). If the Court ultimately decides to hear this case Respondent, of course, would then argue the merits of the case and the correctness of the decision of the U.S. Court of Appeals for the District of Columbia.



## CONCLUSION

Respondent is simply proposing that this is not the time for the Court to be hearing this matter. Congress should be allowed the opportunity to resolve its own statutory ambiguity now that it is clear that there is confusion as to its original intent. The circuits can coalesce around one of the two divergent theories and thus eliminate the conflict and the need to utilize the limited resources of this Court. If the issue is not resolved in one of the appropriate forums, either through Congressional action or by agreement of the circuits, this Court will have adequate opportunity in the future to resolve the conflict.

As Justice Stone, in a related matter, most eloquently stated, ". . . the only check upon our own exercise of power is our own sense of self-restraint." [11]

Respectfully submitted,

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[11] *United States v. Butler*, 297 U.S. 1, 80 L. Ed. 477, 56 S. Ct. 312, 325 (1936) (Stone, J., dissenting).

# APPENDIX

# APPENDIX

100TH CONGRESS
1ST SESSION

S. 1223

To amend the copyright law regarding
work made for hire.

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IN THE SENATE OF THE UNITED STATES

MAY 19 (legislative day, MAY 13), 1987

Mr. COCHRAN introduced the following bill; which was read twice and referred to the Committee on the Judiciary

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## A BILL

To amend the copyright law regarding
work made for hire.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 101 of title 17, United States Code, is amended—

(1) by amending the definition, "work made for hire"—

(A) in clause (1) by inserting before the semicolon the following: "if the employee receives all employment benefits due under applicable State and Federal law and the employer withholds taxes from such payments to the employee and remits such taxes to the Internal Revenue Service";

(B) by amending clause (2) to read as follows:

"(2) a work specially ordered or commissioned for use as a part of a motion picture, if for each such work the parties expressly agree in a separate written instrument signed by them prior to the commencement of any work pursuant to such an order or commission that the work shall be considered a work made for hire."; and

(C) by adding at the end thereof the following: "Unless the work falls within either clause (1) or clause (2), it cannot be work made for hire.";

(2) by adding at the end of the definition of "joint work" the following: "For a specially ordered or commissioned work to be a joint work, the work must meet the foregoing definition and for each such work the parties must expressly agree in a separate written instrument signed by them prior to the commencement of any work that the work shall be considered a joint work.".

SEC. 2. Section 201(c) of title 17, United States Code, is amended to read as follows:

"(c) CONTRIBUTIONS TO COLLECTIVE WORKS, CONTRIBUTIONS TO COMPILATIONS, SUPPLEMENTARY WORKS, INSTRUCTIONAL TEXTS, AND PARTS OF AUDIOVISUAL WORKS OTHER THAN MOTION PICTURES.—Copyright in each separate contribution to a collective work, or to a compilation, or to any instructional text; in any supplementary work; and in any part of an audiovisual work other than a motion picture, is distinct from the copyright in the larger work as a whole, and vests initially with the author who created the work which is to be incorporated into the larger work. In the absence of an express transfer of the copyright or of any rights under it, the owner of the copyright in such larger work is presumed to have



acquired only the privilege of reproducing and distributing the author's work as part of such particular larger work, any revision of such larger work, and any later larger work in the same series. If an express transfer is made with respect to an author's work in one of these categories, such transfer shall not exceed the rights which the transferee reasonably anticipates exercising. For purposes of this subsection—

"(1) an 'instrumental text' means a literary, pictorial, or graphic work prepared for publicaiton and with the purpose of use in systematic instructional activities; and

"(2) a 'supplementary work' is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forwards, afterwards, pictorial illustrations, or appendixes.".

SEC. 3. Section 202 of title 17, United States Code, is amended by striking out all after the semicolon in the second sentence and inserting in lieu thereof the following: "nor, in the absence of a written agreement expressly conveying property rights in a material object, does transfer of ownership of a copyright or of any exclusive rights under a copyright or the entering into of a work made for hire agreement pursuant to clause (2) of the definition of work made for hire, convey property rights in any material object.".

SEC. 4. Section 203(a)(3) of title 17, United States Code, is amended by inserting at the end thereof the following: "As to categories of works covered by section 201(c), a partial termination may be effected at any time during a period of five years beginning at the end of the period of three years after the date of the execution of the grant. The termination shall apply to any

usage permitted under the grant which has not been exercised by publication, except that any title published within such three-year period may be republished in its original form or in a revised version of that particular title. For purposes of this paragraph, a title shall be deemed revised if in its new form two-thirds of the content is retained from the origial version. Neither the effectuation of such a partial termination nor the failure to effect such a partial termination shall in any way restrict the effectuation of a complete termination of any grant pursuant to this paragraph.".



EXCERPTS FROM
CONGRESSIONAL RECORD—SENATE

October 5, 1988

(Pages S14560-S14563)

* * * *

Mr. COCHRAN. Mr. President, I rise today to voice my concern about the failure of this legislation to address a fundamental issue affecting creators' rights under the Copyright Act.

S. 1301 does not make any changes in the "work made for hire" doctrine of the Federal copyright law. Under that doctrine, the rights of authorship and of copyright ownership vest not in the creator, but rather in his employer or in the party that commissions him. This doctrine is an exception to the basic copyright principle that the "author" and copyright owner of an original creation is the creator of that work.

The interpretation of the work for hire doctrine by the courts, and its operation in the marketplace where creative work is commissioned, have broadened its scope far beyond the original intent and purpose. The effect of that expansion has been to deprive artists and other creators of all the rights that the copyright laws were intended to provide them.

The Berne Convention itself does not mention the work for hire doctrine. But, the convention was intended to protect the authorship rights of creators. It requires member States to recognize the right to claim authorship and the right to object to certain acts that affect the integrity of the work or the reputation of the author.

While Berne seeks to protect the rights of "authors," it does not define that critical term. The absence of such a definition has provided the rationale for avoiding the work for hire issue on the ground that it is beyond the scope of Berne. Proponents of this approach also cite the divergence of Berne member nations in defining who

should be considered an author. Some nations recognize only natural persons as authors, while others allow corporate entities to assume that status.

This argument misses the point. The question is not whether the Berne Convention explicitly requires changes in our work for hire doctrine; it obviously does not. Instead, the question ought to be whether the rights proclaimed by Berne are protected by U.S. copyright law. In a very real and practical way, our current copyright statutes force artists into relinquishing many of their rights as a condition of being hired.

I have no quarrel with the view that the passage of this bill will enable U.S. copyright owners to better protect their intellectual property. But I believe that view is deficient to the extent that it neglects the need to encourage creativity at home. Work for hire is putting many creators out of business and is forcing many others to live at a subsistence level hardly conducive to the development of their creative talents. If the impact of work for hire is not addressed, the attractiveness and demand for works created in the United States will decline as the size and diversity of domestic creative talent diminishes.

Most important, enactment of Berne legislation without addressing the concerns of creators ignores the constituency that our copyright laws were designed to protect. No one has ever argued that our copyright laws were intended to reward investors or those with the resources to buy talent. Their purpose is to stimulate creativity and to strike a balance between creators' interests in exploiting their works and the public interest in using and enjoying them.

In short, the right to claim authorship of one's own works under the Berne Convention is an academic one if the legal and practical effects of our own copyright laws undermine that right.

The insufficiency of current U.S. copyright law to protect artists in the area of work for hire is similar to the problem of moral rights, which was discussed during



hearings on the Berne legislation both in the Senate and in the other body.

The concerns of creators over this issue are also based on the lack of protection for the integrity of an artist's work. Unlike the issue of work for hire, U.S. copyright law does not explicitly provide for moral rights. The committee has concluded that the entire body of U.S. law, including State law, case law, commor law and Federal trademark statutes, provides sufficient moral rights protection and that explicit treatment is unnecessary in order to meet Berne's minimum standards.

Other disagree with this view and believe that U.S. law should provide explicitly for moral rights protection in order to comply with the standards set by the Berne Convention. In addition to work for hire, this is another issue of fundamental importance to artists that should be addressed if we are to make our laws consistent with an international treaty for the protection of artists' rights.

The unfair and burdensome operation of work for hire agreements, and the court's expansive interpretation of the concept of "employee", have severely diminished the benefits to creators under the copyright laws. If a creator prepares a work made for hire, he or she is no longer the author, for copyright purposes. Rather, the Copyright Act vests initial copyright in that work in the employer or the commissioning party, who receives all future income that may be derived from any use of the work in any medium.

Under the work for hire arrangement, creators have no further relationship to their own creative output: they have no right to display it, to reproduce it, to distribute it, or to create other works based on it. Artists cannot even use works for hire in their own portfolios without the permission of the party that commissions them, and they cannot insist that they be identified as the author of their works.

Under current law, the client can change the art and use it again without limitation, without benefiting the true author. In addition to losing all these rights, the creator receives none of the normal employee benefits such as unemployment insurance, health insurance, sick pay, pension benefits, or disability. Nor are they provided with a workplace or materials.

The livelihoods of freelance artists, photographers, and writers depend on their ability to claim "authorship" for the pieces they produce. They build their reputation, and therefore their ability to attract clients, on the basis of past performance. Their careers succeed or fail by their skill and style in translating through heir own creative expression the ideas and messages society needs to disseminate.

The adverse effects of work for hire extend beyond creators to our society as a whole. In our system, the copyright laws are intended to foster dissemination of diverse ideas, and to facilitate conversion of those ideas into tangible form by providing incentives and rewards for creators. When those incentives and rewards are eroded as they are by work for hire, the public interest in the free flow of information is thereby diminished.

An example of a practical problem that arises from the vague and uncertain rights of artists is a case involving a photographer in Chicago. The photographer, Stan Malinowski, was commissioned to take photographs for a magazine, but no written agreement assigning copyright ownership in the photographs to the publisher was ever signed. Instead, a form work for hire agreement was stamped on the back of the checks issued to Malinowski after his work was completed, so that when he endorsed the checks he would also be agreeing to a work for hire arrangement.

To prevent Malinowski from crossing out this language, the back of the checks provided that any alteration of the work for hire legend would void the check. Malinowski struck out that legend anyway, and cashed



the checks. He then sued the publisher for copyright infringement, whereupon he was charged with fraud and racketeering for altering the checks. While the judge has dismissed these charges, Malinowski faces prolonged litigation over whether he should be considered an "employee" of the magazine, and over other work for hire questions.

The current definition of work for hire invites this sort of litigation, and it is by no means certain that artists will ultimately prevail. In fact, many creative artists since the 1976 Copyright Act went into effect have been on the losing end of work for hire cases, even when they operate as independent contractors and decline to sign work for hire agreements.

Most work for hire abuses never see the light of day in the courtroom. In 1982, at the only hearing ever held on work for hire legislation since enactment of the 1976 act, Robin Brickman, a Rhode Island illustrator and member of the Graphic Artists Guild, testified about another example of the destructive effect of work for hire on creators' careers and income.

Ms. Brickman had signed a work for hire contract with Doubleday to provide 28 drawings for use in the interior of a book. For a modest fee, she produced a series of drawings which the publisher found acceptable. In fact, the publisher liked the work so much that one of the drawings was altered and used as the front jacket for the book.

The illustrator received no additional payment for the use of her illustration on the jacket. Nor was she able to complain about the fact that the drawing had been altered. Nor would she have been able to complain if the publisher had chosen not to give her credit as the illustrator who did the art.

Why does not the creator simply refuse to sign the work for hire contract? Assignments are offered on a take-it-or-leave-it basis. If the artist, writer, or photog-

rapher asks for a limited transfer of rights, the publisher selects a different creator to do the assignment.

It is important to recognize that most independent artists, photographers, or writers working in highly competitive fields simply cannot negotiate effectively with corporate art buyers. Confronted with such superior bargaining power, most artists have no choice but to accept work for hire contracts. By cutting creators off from potential reuse fees and control of their work, work for hire makes it unlikely that their bargaining positions will be strengthened as their careers progress.

No creator is safe from work for hire abuses. A member of the American Society of Magazine Photographers who has been a professional photographer for 30 years relates an unfortunately typical example. In many of his advertising jobs, he is presented with work for hire language after the negotiations are completed and the work is underway. While this particular photographer refuses to give up all authorship and copyright rights under a work for hire arrangement, he has lost much of his business as a result. Even this well-established artist finds it difficult to survive when the prevailing industry practice is to insist upon work for hire agreements, or refuse to use any artist who declines that invitation.

To rectify the worst of these problems, I have prepared an amendment, which I will not call up, but which I will request be printed in the RECORD along with an explanatory statement. I believe this amendment, which is far less comprehensive than my bill, S. 1223, would ensure improved safeguards for artists' rights. I will not offer the amendment at this time because of the assurances given to me by the Senator from Vermont [MR. LEAHY], the manager of the bill, and the distinguished chairman of the Copyrights Subcommittee [MR. DECONCINI].

Mr. President, I ask unanimous consent that a copy of my amendment and the explanatory statement be printed in the RECORD.



There being no objection, the material was ordered to be printed in the RECORD, as follows:

PROPOSED AMENDMENT TO S. 1301

Sec. 4. Subject Matter and Scope of Copyrights.

Chapter 1 of title 17 of the United States Code is amended—

(1) in section 101—

(C) in subdivision (1) of the definition of "work made for hire" by adding at the end thereof the following: "only if the employee receives all employment benefits due under applicable State and Federal law, and the employer withholds taxes from the compensation paid to the employee and remits such taxes to the Internal Revenue Service."

(D) in subdivision (2) of the definition of "work made for hire"—

(1) by inserting between "atlas," and "if" the word "only"; and

(2) by inserting after "written instrument signed by them" the following: ", prior to commencement of any physical or intellectual effort related to the specially ordered or commissioned work."

(E) in the definition of "joint work," by adding the following sentence:

"For a specially ordered or commissioned work to be a joint work coowned by the specially ordering or commissioning party, the work must meet the foregoing definition, and for each such work all coowners must expressly agree in a separate written instrument, signed by them prior to the commencement of any physical or intellectual effort related to the work, that it shall be considered a joint work."

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EXPLANATION OF PROPOSED AMENDMENT TO S. 1301

The proposed amendment to S. 1301 would make four changes to section 101 of the Copyright Act that are designed to improve the ability of independent creators to protect their authorship and copyright rights in their own works.

1. *Definition of "Employee" Under Subdivision (1) of Work Made For Hire Definition:*

In enacting a definition of "work made for hire" in the 1976 Copyright Act, Congress determined that any work prepared by an "employee" in the scope of his or her "employment" would be considered a work made for hire even without a written instrument so providing. 17 U.S.C. § 101 (subdivision (1) of the definition of "work made for hire"). While the legislative history of the 1976 Act strongly suggests that Congress intended the concept of employment to extend only to salaried employees.* Congress did not expressly define the term "employee" in the definition of work made for hire.

The lack of an express definition in the language of the statute has led to years of disagreement in the courts of appeals over the meaning of this key statutory term, and indeed over the proper interpretation of the significance of the 1976 revisions to the work made for hire doctrine. *Compare Community for Creative Non-Violence* v. *Reid*, No. 87-7051 (D.C. Cir. May 20, 1988), *and Easter Seal Society for Crippled Children and Adults of Louisiana, Inc.* v. *Playboy Enterprises*, 815 F.2d 323 (5th

* For example, the publishing industry acknowledged at the time an early version of the work for hire language was drafted that the concept of employment was intended to apply only to salaried employees: "Works for hire—in which copyright is by law owned by the employer—would be redefined to include only work done by a salaried employee in the scope of his regular duties. . . ." Statement of the American Book Publishers Council to the Register of Copyrights, November, 1963, W. Patry, *Latman's The Copyright Law* 120 n. 28 (6th ed. 1986).



Cir. 1987), *cert. denied*, 56 U.S.L.W. 3666 (Mar. 29, 1988), *with Aldon Accessories Ltd* v. *Spiegel, Inc.*, 738 F.2d 548 (2d Cir.), *cert. denied*, 469 U.S. 982 (1984), *Brunswick Beacon, Inc.* v. *Schock-Hopchas Publishing Co.*, 810 F.2d 410 (4th Cir. 1987), *and Evans Newton Inc.* v. *Chicago Sys. Software*, 793 F.2d 889 (7th Cir.), *cert. denied*, 107 S. Ct. 434 (1986). Under one view adopted by the District of Columbia and Fifth Circuits, the determination whether a creator is an "employee" is guided by the rules of agency law set forth in the Restatement (Second) of Agency § 220 (1958). *See Reid*, slip op. at 19; *Easter Seal*, 815 F.2d at 335-36 n. 20. Under this view, if consideration of the Restatement factors leads to the conclusion that the creator of a commissioned work is not an "employee," the work cannot be a work made for hire unless it meets the criteria established in subdivision (2) of the definition of that term. That subdivision provides that a commissioned work qualifies as a work made for hire only if there is a written agreement so providing, and the work falls within one of nine enumerated categories of works. *See* 17 U.S.C. § 101 (subdivision (2) of definition of "work made for hire").

Under the approach embraced by the Second, Fourth and Seventh Circuits, and "employee" for work for hire purposes is determined by reference to principles developed under the 1909 Copyright Act, which posited that the right to supervise and direct the creator's work, together with the degree to which that right was actually exercised, were the guiding criteria. *Aldon*, 738 F.2d at 552. Thus, *Aldon* held that even independent contractors working on commission could be classified as "employees" if the court found that the requisite degree of supervision and control was exercised by the commissioning party over the creator's work.

The amendment's proposed definition of "employee" is intended to resolve the conflict in the courts by establishing two objective and yet flexible employment criteria.

First, no creator can be classified as an "employee" unless he receives "all employment benefits due under applicable State and Federal law." The amendment does not attempt to identify the employment benefits necessary to warrant a finding that a creator is an "employee" because State law varies with respect to the indicia of employment, and both State and Federal law on that issue will change over time. It is nevertheless anticipated that the categories of employment benefits for a true "employee" under amended clause (1) may include: (1) payment of a salary or other form of regular compensation; (2) payment of overhead expenses by the employer (*e.g.*, rent, utilities, support staff, office and material expenses); (3) availability of a regular workplace for the employee; (4) paid vacation and sick leave; (5) coverage under a health and disability insurance program if such a program has been established by the employer; (6) eligibility for pension benefits if the employer has established a pension plan for employees; (7) coverage under the federal social security system and the payment of obligations thereunder; (8) eligibility for unemployment insurance and payment of unemployment taxes by the employer; and (9) eligibility for workman's compensation benefits and payment of workman's compensation insurance premiums by the employer if required by law. The place of employment will determine which state law governs for purposes of ascertaining the applicable state employment benefits. If only some, but not all, of the applicable employment benefits are extended to the purported "employees," the works created by such person cannot be considered "made for hire" under amended clause (1) of the defintion.

Second, the employer must withhold taxes from the payments to the employee, and must remit those taxes to the IRS, in order for the creations of the purported employee to be considered works made for hire under clause (1). This requirement is intended to ensure that a creator is treated as an employee for copyright purposes only if the employer itself takes action through withholding which clearly shows that the employer considers the creator to be an employee. Although the statute refers to taxes without specifying their precise nature, only federal income taxes are subject to withholding and are then paid to the IRS. Thus, the reference to taxes in the bill is intended to refer only to federal income taxes.



It is important to note that both of the employment cirteria added by the proposed amendment must be satisfied in order to classify a creator as an "employee' under subdivision (1) of the work made for hire definition. Accordingly, it is not enough for the purported employee to receive all applicable employment benefits; the alleged employer must also withhold federal income taxes and remit them to the IRS in order for a work to be classified as an employee work made for hire. Conversely, it is not enough for the purported employer to withhold taxes and remit them to the IRS; the "employee" must also receive all applicable employment benefits in order to satisfy clause (1).

2. *Changes to Subdivision (2) of Definition of Work Made for Hire:*

The proposed amendment would make two changes to subdivision (2) of the work made for hire definition, which covers certain categories of specially ordered or commissioned works. First, the amendment would provide that the nine enumerated categories of commissioned works could qualify as works made for hire "only if the parties expressly agree in a written instrument signed by them. . . ." (emphasis on added word). The purpose of this amendment is to make absolutely clear that the nine categories of commissioned works set out in subdivision (2) cannot be works made for hire unless there is a written agreement to that effect. The amendment is intended to prevent courts from concluding that the commissioned works listed in subdivision (2) can still qual-

ify as "employee" works made for hire under subdivision (1) if the prerequisites of subdivision (2) are not satisfied. Thus, the proposed amendment provides that the subdivision (2) categories of works can be classified as works made for hire only if the writing requirement is met.

The second modification to subdivision (2) of the work made for hire definition builds upon the first. It would provide that in order for a commissioned work falling within one of the nine categories to be a work made for hire, the parties must not only agree in writing, they must do so "prior to commencement of any physical or intellectual effort related to the specially ordered or commissioned work. . . ." The purpose of this proposal is to prevent abusive practices of commissioning parties that undermine the protection that the writing requirement was intended to give creators. The objective of that requirement was to ensure that both parties, particularly the creator who most often finds himself in the weaker bargaining position, makes a reasoned and independent determination to enter into a work made for hire arrangement. Unfortunately, some commissioning parties have forced creators to sign work for hire agreements by proposing such an agreement after the work is well underway or is completed but before the creator has been paid. In these situations, the creator must sign the agreement in order to get paid, or else undertake expensive litigation. The most egregious of these practices consists of stamping form work for hire language on the back of a check which the creator must then endorse in order to get paid.

The proposed amendment would prevent this and any other after-the-fact use of work made for hire agreements. In order to be enforceable under the amendment, such an agreement must be negotiated and executed before any effort, physical or intellectual, is expended on the project. With the knowledge that commissioned work made for hire agreements meetings the standards of sub-



division (2) must be signed up front, the parties must decide at the outset of their relationship whether a work made for hire arrangement is desirable. At that stage, the creator retains his independence to decide whether such an agreement would be in his best interests. If the commissioning party desires to acquire all or some of the creator's copyright rights after the commencement of physical or intellectual effort on the project, it can do so only through an assignment agreement and not by a work made for hire contract. Any work made for hire contract signed after commencement of physical or intellectual effort would be void and unenforceable.

3. *Definition of Joint Work:*

Finally, the proposed amendment would change the definition of "joint work" in section 101 by establishing a new objective test for determining whether a specially ordered or commissioned work constitutes a joint work in which the co-authors own the copyright as tenants in common. As owners of the copyright, the co-authors of a joint work have an undivided interest in the work as a whole, and each co-author enjoys an independent right to exploit or license the copyright, as long as the co-author exercising that right accounts to the other co-author for the profits earned. *See Oddo* v. *Ries*, 743 F.2d 630, 633 (9th Cir. 1984); *Pye* v. *Mitchell*, 574 F.2d 476, 480 (9th Cir. 1978).

Under present law, the touchstone for determining whether a work is joint work is the intention of the parties. Section 101 currently provides that a "joint work" is "a work prepared by two or more authors with the intention that their contributions be merged into inseparable a[s in a painting] or interdependent [as in a motion picture] parts of a unitary whole." 17 U.S.C. § 101 (definition of "joint work"). It is not enough merely for the parties to intend to create a joint work; each co-author must in fact make a genuine contribution to the creation of the joint work. *See Whelan Associates*,

*Inc.* v. *Jaslow Dental Laboratory, Inc.*, 609 F. Supp. 1307, 1318-19 (E.D. Pa. 1985), *aff'd*, 797 F.2d 1222 (3d Cir. 1986), *cert. denied*, 107 S. Ct. 877 (1987) (the "general assistance and contributions" to the project by the commissioning party did not make him the co-author of the work).

The bill proposes to supplement this "intention of the parties" test only with respect to specially ordered or commissioned works. Artists and other independent contractors have been faced with *post hoc* claims that works created on commission, for which no written agreement regarding copyright ownership or work made for hire status exists, are joint works because the parties somehow "intended" them to be such. The evidence of intent frequently is not probative one way or another, particularly when the claim of joint authorship arises after-the-fact. Indeed, commissioning parties have frequently asserted a "joint authorship" claim as a back-up defense in cases in which their primary assertion is that they are the sole owners under the work for hire doctrine. *See, e.g., Reid*, slip op. at 19-20; *Schmid Bros., Inc.* v. *W. Goebel Porzellanfabrik KG.*, 589 F. Supp. 497, 501 (E.D.N.Y. 1982) (ceramic figurines held to be joint works); *Mister B. Textiles, Inc.* v. *Woodcrest Fabrics, Inc.* 523 F. Supp. 21, 24-25 (S.D.N.Y. 1981) (fabric design held to a joint work).

To eliminate any possibility of nebulous or illusory after-the-fact claims of joint authorship of specially ordered or commissioned works, the amendment would change the definition of "joint work" to provide that the parties "must expressly agree in a separate written instrument, signed by them prior to the commencement of any physical or intellectual effort related to the work, that it shall be considered a joint work." Thus, the parties must still intend that their contributions "be merged into inseparable or interdependent parts of a unitary whole"; but in order for their work to be legally considered a joint work, they must memorialize that intention in a written instrument before the project begins.



If this proposal is adopted, the contributions to a commissioned work would not be merged into a joint work unless the writing requirement was satisfied. If that requirement was not complied with, the copyright in the contribution of each author would be owned by that author alone. Thus, if two or more contributing authors decided to enter into a joint work agreement after beginning work on the project, such an agreement would be void and unenforceable. The copyrights in their respective contributions would be separately owned by each individual author, much like copyright ownership is determined with respect to a contribution to a collective work. *See* 17 U.S.C. § 201(c) (copyright in each separate contribution to a collective work vests intitially in the author of the contribution).

Mr. COCHRAN. Mr. President, I would like to take a few moments to ask the cosponsors of the Berne bill, Senator LEAHY, and the chairman of the subcommittee responsible for copyright matters, Senator DECONCINI, a few questions concerning any work for hire bill, S. 1223.

First, I ask the distinguished Senator from Vermont whether he believes that Congress should take another look at the work for hire statutes and their impact on artists' rights?

Mr. LEAHY. I would support efforts by this subcommittee to look into this issue to determine if legislative action is necesary to provide proper guidance to the courts and to ensure that artists' rights are being protected in this area. We have not reviewed work for hire since October 1982, during the 97th Congress, and would undoubtedly benefit from another look at the issue.

While I am not convinced of the merits of all of the proposals contained in your bill, S. 1223, I believe it is a starting point for discussion and debate among the members of the Copyright Subcommittee.

Mr. COCHRAN. I appreciate the comments of the Senator from Vermont. Now, I would like to ask the

chairman of the Patents, Copyrights, and Trademarks Subcommittee whether he will bring this matter before the subcommittee in the next Congress?

Mr. DECONCINI. As I have informed my colleague from Mississippi, it was my intent to schedule a hearing on your work for hire bill during this Congress. Unfortunately, because of the lengthy Supreme Court confirmation process and consideration of the Berne Treaty and other parts of our agenda, it was not possible to do so.

If I am chairman of the subcommittee in the 101st Congress, I will schedule a hearing on work for hire legislation early in the first session. I have heard great concern voiced about work for hire arrangements throughout the creative industry, particularly from photographers, artists, and other freelance professional creators who work as independent contractors. I agree with my friends from Mississippi and Vermont that a full exploration of the issue is warranted. I therefore give the Senator from Mississippi my commitment to hold hearings on his work for hire bill promptly in the next Congress if it is in my authority to do so.

Mr. COCHRAN. I thank the chairman of the Copyrights Subcommittee and I look forward to working with you, along with other members of the subcommittee, toward the goal of enacting work for hire reform legislation next year.

Mr. President, I thank the distinguished Senators for their cooperation in assuring that this issue will receive attention in the early part of the next Congress and that we will get around to addressing this very important and unfair application of our copyright laws to independent artists.

Mr. President, may I inquire what the situation is with respect to the time on the bill?

The PRESIDING OFFICER. The Senator from Mississippi has 16½ minutes remaining.

Mr. COCHRAN. Mr. President, I reserve the remainder of my time.

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